

Message Text

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C O N F I D E N T I A L WARSAW 0348

E.O. 11652: GDS
TAGS: EGEN ETRD PL UR
SUBJ: RESULTS OF POLISH-SOVIET ECONOMIC AND SCIENTIFIC MEETINGS

REF: (A) WARSAW 0079, (B) STATE 007498 (C) USDOC 00468

1. A WELL-INFORMED ECONOMIST AT THE MINISTRY OF FOREIGN AFFAIRS TOLD AN EMBASSY OFFICER THAT THE MOST IMPORTANT ASPECT OF THE 18TH SESSION OF THE POLISH-SOVIET ECONOMIC AND SCIENTIFIC COMMITTEE WAS AGREEMENT ON AN ARRANGEMENT WHICH WILL PERMIT THE POLES TO PAY FOR ADDITIONAL AMOUNTS OF "HARD" GOODS WITH SOFT COMMODITIES. THE SOURCE SAID THERE WOULD BE INCREASED SOVIET DELIVERIES OF CRUDE OIL, PETROLEUM PRODUCTS, NATURAL GAS, AND OTHER RAW MATERIALS.

2. THE MFA OFFICIAL SAID THAT ONE OF THE MORE VEXING PROBLEMS IN BILATERAL CEMA NEGOTIATIONS IS BALANCING TRADE IN "HARD" GOODS. HARD GOODS, ACCORDING TO THE ECONOMIST, ARE PRODUCTS WHICH HAVE A READY MARKET IN THE WEST, PRIMARILY FUELS, RAW MATERIALS, AND SPECIALIZED MACHINERY PRODUCED UNDER WESTERN LICENSING AND COOPERATION AGREEMENTS. EACH CEMA COUNTRY NATURALLY ATTEMPTS TO
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OBTAIN AS MUCH OF THESE GOODS AS POSSIBLE, WHILE MAKING PAYMENT IN SOFT COMMODITIES WHICH ARE EITHER UNMARKETABLE IN THE WEST OR SALEABLE ONLY AT HEAVY DISCOUNTS. ACCORDING TO THE OFFICIAL, IN NEGOTIATIONS WITH THE SOVIETS THE POLES WERE ABLE TO EXTRACT ADDITIONAL ABOVE-PLAN DELIVERIES OF PETROLEUM AND OTHER KEY RAW MATERIALS WITHOUT HAVING TO PAY FOR THEM IN WORLD QUALITY PRODUCTS.

3. THE POLISH MEDIA REPORTED THAT THE CHIEF PURPOSE OF THE ECONOMIC AND SCIENTIFIC MEETINGS WAS TO WORK OUT OPERATIONAL DETAILS OF GENERAL ECONOMIC DECISIONS MADE DURING GIEREK'S MOSCOW VISIT AND IN CONTACTS BETWEEN JAROSZEWICZ AND KOSYGIN. ACCORDING TO OTHER PRESS REPORTS, POLAND WILL RECEIVE 63 MILLION TONS OF CRUDE PETROLEUM UNDER THE REVISED 1976-1980 SOVIET-POLISH TRADE PROTOCOL, VERSUS 49 MILLION TONS IN 1971-1975; 12 MILLION TONS OF PETROLEUM PRODUCTS, AS AGAINST 6.5 MILLION TONS IN 1971-1975; AND 17 BILLION CUBIC METERS OF NATURAL GAS, IN CONTRAST TO THE ONLY 9.3 MILLION CUBIC METERS DELIVERED TO POLAND IN 1971-1975. AT THE SAME TIME, POLISH DELIVERIES OF COAL AND COKE IN 1976-1980 WILL NOT BE INCREASED (47.5 AND 3.0 MILLION TONS ARE TO BE SUPPLIED RESPECTIVELY IN 1976-1980) IN COMPARISON WITH THE 1971-1975 TRADE AGREEMENT. POLISH SULFUR SHIPMENTS FROM THE MASSIVE TARNOBRZEG MINING BASIN WILL, HOWEVER, JUMP FROM 1.9 MILLION TONS IN 1971-1975 TO 3.8 MILLION TONS IN 1976-1980. THE MFA OFFICIAL THOUGHT THAT INCREASED TEXTILE AND CONSUMER GOODS EXPORTS, ALONG WITH ADDITIONAL AMOUNTS OF BASIC MACHINERY AND EQUIPMENT, WOULD CONSTITUTE THE MAIN OFFSET ITEMS. LITTLE OF WHAT IS OBTAINED THROUGH LICENSING AND COOPERATION AGREEMENTS WITH WESTERN FIRMS WOULD FIND ITS WAY TO THE SOVIET MARKET.

4. THE ECONOMIST NOTED THAT CEMA COORDINATION IN THE PURCHASE OF TECHNOLOGY HAS LONG BEEN IN EFFECT, BUT THERE IS NO TRUTH TO WESTERN RUMORS THAT PRIOR CEMA APPROVAL MUST NOW BE OBTAINED BEFORE MEMBER COUNTRIES CAN PURCHASE LICENSES AND TECHNOLOGY FROM THE WEST. POLAND, OF COURSE, CARRIES OUT MARKET SURVEYS TO DETERMINE THE FEASIBILITY OF LICENSE PURCHASES AND WOULD IN CONFIDENTIAL

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THE COURSE OF A PRE-PURCHASE INVESTIGATION ATTEMPT TO DETERMINE WHETHER ANOTHER CEMA COUNTRY WAS ALREADY PRODUCING A GIVEN PRODUCT AND AT WHAT LEVEL OF PRODUCTION. POLAND BENEFITS FROM LOWER COST PRODUCTION TO THE EXTENT THAT A PRODUCTION SERIES CAN BE LENGTHENED THROUGH CEMA SALES. ONE COMMON PROBLEM, ACCORDING TO THE MFA ECONOMIST, IS THAT ALL OF THE CEMA COUNTRIES PREFER TO ACQUIRE TECHNOLOGY DIRECTLY FROM THE WEST RATHER THAN THROUGH THEIR EASTERN TRADING PARTNERS.
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